

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, SEPTEMBER 9, 2008**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 9, 2008, commencing at 7:01 a.m.

Present: Mayor Pro Tempore Hansen, Council Member Hitchcock, Council Member Katzakian, and Mayor Mounce

Absent: Council Member Johnson

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Fourth Quarter Fiscal Year 2007-08 Water, Wastewater, and Electric Utility Department Financial Reports (PW/EUD)

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the fiscal year 2008 quarterly update through June 30, 2008. Specific topics of discussion included an overview of power costs and reserves, fiscal year 2008 financial results, operating expenditures, power supply, power sales, billing statistics, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency general operating reserve, fiscal year 2009 open position, cash balance, and summary.

In response to Council Member Hitchcock, Mr. Morrow stated the cost for the total development of the new Lodi Project was approximately \$25 million, of which approximately \$12 million was used for Phase 2A and engineering and acquisition of the emission reduction credits.

In response to Mayor Pro Tempore Hansen, Mr. King stated the City was not allowed to use the previous bond proceeds for the project because that money needed to be expended within a certain period of time.

In response to Council Member Hitchcock, Mr. King stated the 1999 bond was very broad on what it could be spent on and in order to keep the market from being flooded, the monies had to be spent in a certain time period.

In response to Council Member Hitchcock, Mr. King stated there is no money left from the bond proceeds because it was used to buy out some of the variable rate debt obligation.

In response to Council Member Hitchcock, Mr. Morrow stated when Council is reviewing base rates, that might be a good time to look at the ECA to ensure it is covering the cost of energy. Mr. Morrow stated the ECA or the base rate could be adjusted at that time as necessary or if Council wishes a mechanism could be adopted to automatically adjust once the ECA hits a certain level.

Water Services Manager Charlie Swimley provided a PowerPoint presentation regarding the water and wastewater quarterly update. Specific topics of discussion included wastewater operating results, wastewater fund cash flow summary for operations, wastewater funds cash balances, water operating results, water fund financial results cash flow summary, water fund cash balance, and water and wastewater utility accomplishments.

In response to Mayor Mounce, Mr. Swimley stated the latest project was Project No. 4 to improve some lines on the east side for which the bid was rejected because it was well over the estimate. Mr. Swimley stated staff is trying to obtain a more attractive bid package with a larger sized project which does not present as much difficulty as smaller projects for bidding; although, construction management in house of a larger project may be a concern.

In response to Council Member Hitchcock, Mr. Swimley confirmed that the bottom line does indicate operating in the red.

In response to Council Member Katzakian, Mr. King stated the cost of repairing the transmission line came out of the bond proceeds and the cost of the transmission line improvements was not incorporated in the rate model.

In response to Council Member Hitchcock, Mr. King stated they wanted to avoid a situation where there was reliance on one-time money to break even because that is not a sustainable practice. He stated there is not enough revenue collected to match the operating expenditures, which is why the matter is being brought to the Council's attention.

In response to Mayor Mounce, Public Works Director Wally Sandelin stated the last rate increase was about three years ago and the current situation was anticipated in the rate model. Mr. Sandelin stated they are in the process of reviewing options and competing considerations include cash flow and transfers.

In response to Council Member Hitchcock, Mr. Swimley stated about \$15 million accounts for PCE/TCE matters.

In response to Mayor Mounce, Mr. Sandelin stated staff will be coming back to Council in November to review PCE/TCE line items and the accounting of the same.

In response to Myrna Wetzel, Mr. Swimley stated information regarding commodity and service costs for water meter installation will likely be available to the public in late summer. Mr. King stated staff is in the process of collecting statistics to establish underlying rates based on consumption.

In response to Mayor Mounce, Mr. Sandelin stated staff will likely be coming back to Council in November or December with several options for funding water meter installations for residents.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:56 a.m.

ATTEST:

Randi Johl
City Clerk